Retirement Readiness

A Two-Year Countdown

State of Michigan · Office of Retirement Services · August 2003

About the Office of Retirement Services

The Office of Retirement Services (ORS) administers retirement programs for Michigan's state and public school employees, judges, and state police. Our vision is to provide fast, easy access to complete and accurate information and exceptional service for our more than half million members.

About This Publication

The intent of this publication is to summarize basic Defined Benefit plan provisions. Should there be discrepancies between this publication and the actual law, the provisions of the law govern.

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Retirement Readiness

A Two-Year Countdown

for Retiring Members of the
State of Michigan Defined Benefit Plan
August 2003

OFFICE of RETIREMENT SERVICES
ORS

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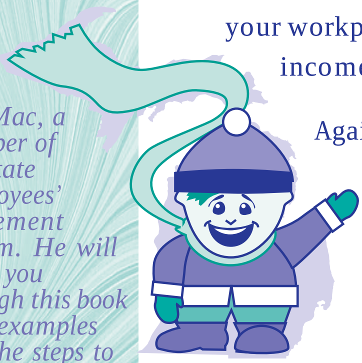
I. Congratulations!

You're nearing the end of what, we hope, has been a satisfying career as a state of Michigan employee. We also hope that you're looking forward to retiring and reaping the rewards of your dedicated public service.

As you well know, retirement is a major life change. While many take the leap with no regrets and never look back, most people approach retirement with a degree of ambivalence. You are, after all, leaving the close friends, certainties, and challenges of your workplace—not to mention that biweekly paycheck. Will there be enough income in retirement to pursue and enjoy all those activities you've dreamed of?



Meet Mr. Mac, a member of the State Employees' Retirement System. He will guide you through this book with examples and the steps to retirement.

Again, we hope so. This publication is intended to help you answer those questions. We want your final months as a state employee filled with eager anticipation, not anxiety. We want you to approach your new life stage fully prepared—knowing all you need to know about your benefits under the State Employees' Retirement System—so that your retirement is as fulfilling as you hope it will be.

This booklet explains how and when you will qualify for your pension and provides worksheets and examples to help you estimate your benefit. It includes tips for enhancing your retirement by purchasing service credit and participating in the state's optional Deferred Compensation 401(k) and 457 plans. You'll find some points to consider as you decide when to retire; details on how and when to apply; information about continued group insurance benefits; and a bit about what you can expect after payments begin.

The information is presented in a loosely chronological fashion to help you "countdown" to retirement. It starts with information you need to make critical decisions about retiring, and ends with the delivery of your pension payment. Along the way, be sure to use the additional helpful tools we provide in the appendices.

II. Qualifying for Your Pension

To be eligible for a monthly retirement pension, you must meet minimum age and service requirements.

Age and Service Requirements

Most members will qualify under the following retirement provisions.

- ***Full Retirement.*** You will qualify for full retirement at age 60 with at least 10 years of service, or age 55 with 30 years of service. (Exception: If you are an unclassified legislative employee, executive branch employee, or Department of Community Mental Health employee involved in a facility closing, you are vested for a full retirement benefit at age 60 with 5 years of service.)
- ***Early Reduced Retirement.*** If you are an active member with at least 15 but less than 30 years of service, you can elect to take an early reduced retirement at age 55. Your pension amount is permanently reduced by one-half of one percent for each month you take your pension before age 60 (6 percent per year).

Some employee classifications have different eligibility rules (and payment calculations).

- ***Covered Retirement.*** If your employer has determined that you are responsible for the custody and supervision of prisoners (called covered employment), you may be eligible for a ***supplemental pension*** when you are age 51 with 25 years of covered service, or at age 56 with 10 years of covered service. In both situations, your last 3 years must be in a covered position.
- ***Conservation Officers.*** If you are a conservation officer hired before April 1, 1991, you can draw your pension after 25 years of service if 20 of those years were as a conservation officer. If you were hired after that date, you are eligible at any age with 25 years of service as long as 23 years were as a conservation officer. In either case, you must be employed as a conservation officer during the 2 years prior to your retirement.
- ***Community Health Facility Closures.*** If you are an employee of a Michigan community health facility that closes and your last 5 years have been with that facility, you are eligible to retire as of the facility closing date if you are age 51 with 25 years of service or age 56 with 10 years of service. You qualify at any age with 25 years of service, as long as all 25 years were in a facility that closed.

Your retirement effective date.

Your ***retirement effective date*** is the first day of the month following the month in which:

- You have satisfied the eligibility requirements;
- You have terminated employment with the state of Michigan; and
- You have submitted your retirement application to ORS.

full retirement

early reduced retirement

covered retirement

supplemental pension

conservation officers

community health facility closures

retirement effective date

vesting

deferred retirement

Act 88 - Reciprocal Retirement Act

When You Are Vested

You are ***vested***—meaning you have sufficient service to qualify for a benefit though you may not yet meet the age requirement—when you have the equivalent of ten years of full-time state employment. (If you are an unclassified legislative employee, executive branch employee, or Department of Community Mental Health employee involved in a facility closing, you are vested after five years of service.)

If you leave before age 60.

If you leave state employment before you're old enough to draw your pension but after you are vested, your pension is ***deferred*** until you apply for it at age 60. Since there is no monetary advantage to waiting until after age 60, and because benefits can't be paid for any months earlier than your application date, be sure to apply before your 60th birthday if you are a deferred member.

If you're age 55 or older, you can choose between the early reduced retirement previously described and taking a deferred retirement until you're age 60. Calculate your pension both ways before making a decision. Also bear in mind that you aren't eligible for state-sponsored group insurance while you are a deferred member. You are eligible again for the health, dental, and vision insurance as of your retirement effective date, but not life insurance.

If you become disabled.

There are special eligibility and calculation provisions for those who become disabled while a state employee. Contact ORS if you would like information on disability benefits.

Counting other Michigan government service.

You may be able to combine service you have earned with a number of state governmental agencies, as well as public schools and universities, in order to meet the vesting requirements. ***Act 88 - Reciprocal Retirement Act*** of 1961 helps public servants who have worked either full- or part-time for more than one state employer, but perhaps fall short of being vested with any or all of them. Combining years of service from multiple employers can help you qualify for a pension, but the other service won't count in the calculation of your pension amount.

Contact ORS if you need to count your other Michigan government service to meet your 5- or 10-year vesting requirement.

III. How Your Pension Is Calculated

In this section we explain how a straight monthly pension benefit is calculated, and then describe the different payment options you can choose such as survivor options, equated plans, and the early reduced payment. This is followed with worksheets and examples in Section IV to help you estimate for yourself.

We also recommend the following for help in estimating your pension:

- ***Online calculator***. Go to **www.michigan.gov/ors** and navigate to Defined Benefit Plan/Benefit Estimator. This handy tool does the math for you as you try different scenarios to compare your benefit. For example, you might wonder how your payment would be affected if you were to work longer, purchase service credit, of if you choose one of the survivor options or equated payment plans.
- ***Preretirement orientation seminars***. Attend one of the retirement seminars sponsored by the Department of Civil Service (**www.michigan.gov/mdcs**). Experienced ORS representatives will fully explain the plan and the process before fielding questions from the audience.
- ***Contact us.*** If you don't have access to these tools, our customer service representatives can help you obtain a benefit estimate and answer any other questions you have. You can email, write, call, or visit us. Complete contact information can be found under At Your Service inside the back cover of this book.

Check out our online calculator at www.michigan.gov/ors to estimate your pension.

How Much Will You Get?

You're probably eager to find out how much your pension will be. But before you jump ahead, a word of caution. Take time to read the basics and the definitions presented here. It is important that you thoroughly understand these concepts before you make irrevocable selections that you will have to live with throughout your retirement. Once you understand these terms, we'll take you step-by-step through your pension calculation, with examples and worksheets.

The pension formula.

Your annual benefit is based on a formula that multiplies your final average compensation by a pension factor times your years of credited service.

The Pension Formula

FAC x 1.5% x YOS

Final Average Compensation — Pension Factor — Years Of Service final average compensation (FAC)

pension factor

years of service (YOS)

- ***Final average compensation (FAC).*** Your highest three consecutive years of compensation are averaged to determine your final average compensation, or FAC. *Note*: Your highest three consecutive years of earnings may have occurred earlier in your career. Even though we may use those years rather than your final years to calculate your benefit, we still refer to it as your final average compensation.
- ***Pension factor***. The pension factor for most state employees is 1.5 percent (.015). Conservation officers and covered employees working with prisoners use a different factor and formula. These are detailed in Section IV.
- ***Years of service (YOS)***. Your service credit reflects the years, or fractions of years, you have worked for the state of Michigan or one of its noncentral agencies. You are credited with a full year if you work 2,080 regular hours; however you may earn no more than one year of credit in any given year.

  Only regular, non-overtime hours are counted. Any work that is less than full-time or intermittent is evaluated using the regular hours worked converted to a fraction of a year. For example, if you work half-time you earn .5 years of service credit for each year of employment. (Exception: You are not considered part-time if you work a shortened schedule due to Voluntary Plan A measures. You'll get full credit for any Plan A reduced hours.)

  You can receive credit for any military leave of absence or workers' compensation leave of absence that occurs during your state employment.

  Credited service can also include any additional service purchased or transferred, as described in Section VI.

Your FAC is not always your last three years. It is the average of your 3 highest consecutive years of compensation.

What Counts in Your FAC?

Determining your FAC period.

The final average compensation period will end on your last date of employment if this period represents your highest consecutive earnings. The earnings used will be those earned from your last day of employment back three years. If your highest three years are not your final three years, we review your earnings record and capture the highest three-year period for your FAC.

A TYPICAL FAC PERIOD

Mr. Mac worked 25 consecutive years for the state and his retirement effective date was April 1, 2003. His last day of work was March 5, 2003.

Year 1	Year 2	Year 3
March 5, 2003 - March 6, 2002	March 5, 2002 - March 6, 2001	March 5, 2001 - March 6, 2000
Earnings $42,464.42	Earnings $41,917.28	Earnings $41,244.40

If you worked part-time (other than Plan A), intermittent, or were off the payroll during your FAC period, we will pick up earnings beyond three years.

Compensation included in your FAC.

When you retire, your employing agency will pay you for all you have earned and accrued during your years of work. If your highest three consecutive years are indeed your final years of employment, some of that payout will count in your FAC and some will not.

The following payments ARE included in your FAC:

- **Wages.** All wages paid during the FAC period, including overtime, premium time, etc. Gross wages are used, before any deferred compensation or other income tax withholding.
- **Annual Leave.** Up to 240 hours of annual leave paid at retirement IF your final three consecutive years are used as the FAC. Only 240 hours can be used for retirement purposes, even though your payout may include more than 240 hours.
- **Compensatory (comp) time.** Included when paid at retirement IF your final three consecutive years are used as the FAC.
- **Longevity pay.** Included if paid during the FAC period.
- **Performance pay.**
- **Voluntary Plan A hours.** If your hours were reduced under Plan A during your FAC period, your FAC will include what might have been paid for those reduced hours. Your rate of pay immediately prior to your FAC period is multiplied by the number of reduced hours within the FAC period and added to what you actually earned during the FAC period.

The following payments are NOT included in your FAC:

- **Sick leave.** Some employees are eligible to be paid one-half of their sick leave balance when they retire; however, sick leave is never used to calculate retirement benefits.
- **Annual leave in excess of 240 hours.**
- **Clothing allowances.**
- **Flex plan payments.**
- **Travel compensation.**

The following payments MAY or MAY NOT be included in your FAC:

- **Grievance settlements.** Determined on a case-by-case basis.
- **Voluntary Plan B banked hours.** If you still have a balance of Voluntary Plan B banked hours, you will be paid for those hours at your ending pay rate. If you banked hours prior to September 30, 1981, and did not use them, your payout will be included in your FAC calculation. Hours banked after September 30, 1981, and not used will be paid at your ending rate but will not be used in your FAC calculation unless those years will be used in the FAC period. If the latter is the case, your payout amount will not be used, but rather the hours banked will be added into your FAC at the rate of pay at which they were banked.

ESTIMATE YOUR FAC

Use this worksheet to estimate your FAC. Enter wages from the 3-year period in your career when your earnings were highest.

Mr. Mac			Your Estimate		
Mr. Mac's 3 highest consecutive years of earnings ends on the day he retires: March 5, 2003, and begins on March 6, 2000.			Your 3 highest consecutive years of earnings ends on ____________ and begins on ____________.		
YEAR ONE	March 6, 2002 to March 5, 2003	$42,464.42	YEAR ONE	________	________
YEAR TWO	March 6, 2001 to March 5, 2002	41,917.28	YEAR TWO	________	________
YEAR THREE	March 6, 2000 to March 5, 2001	+ 41,244.40	YEAR THREE	________	+ ________
	=	$125,626.10		=	$
	÷	3		÷	3
MR. MAC'S FAC	=	$41,875.37	YOUR FAC	=	$

Pension increases after you retire.

After you've been retired a full year, each October you'll receive a fixed 3 percent increase (not to exceed $25 per month or $300 annually) in your monthly pension. This postretirement increase doesn't compound, but it does accumulate. So, assuming you're eligible for the maximum increase, every October you can expect $25 more per month than you received during the previous year.

POSTRETIREMENT PENSION INCREASES

Mr. Mac retired January 1, 2004, with a monthly pension payment of $1,200. Beginning October 2005 (the first October after he's been retired a full year) he'll begin receiving an additional $25 per month. (Though 3 percent of $1,200 is $36, the postretirement increase is capped by law at $25 per month.)

The first October, Mr. Mac will receive $1,225 ($1,200 + $25).

The next October, Mr. Mac will receive $1,250 ($1,200 + $25 +$25).

The third October, Mr. Mac will receive $1,275 ($1,200 + $25 +$25 +$25), and so on.

IV. Estimating Your Pension

Straight Life and Other Payment Options

As explained in Section III, your benefit is based on a formula that multiplies your years of credited service times your final average compensation times a predetermined factor, usually 1.5 percent. We always start with this calculation, known as your ***straight life*** amount.

If you choose an ***early reduced retirement***, we first calculate your straight life benefit. Then we apply the one-half percent per month reduction to arrive at your actual monthly benefit.

You may choose a ***survivor option***, which pays you less but continues monthly pension payments and health, dental, and vision insurance coverage to your beneficiary if you die.

You could also choose the ***equated plan*** if you want your income to remain relatively level both before and after your social security payments begin.

In this section you'll find step-by-step worksheets to help you estimate your pension. Start with the straight life calculation. Once you know your straight life amount, you have a basis for estimating an early reduced, survivor, and equated pension.

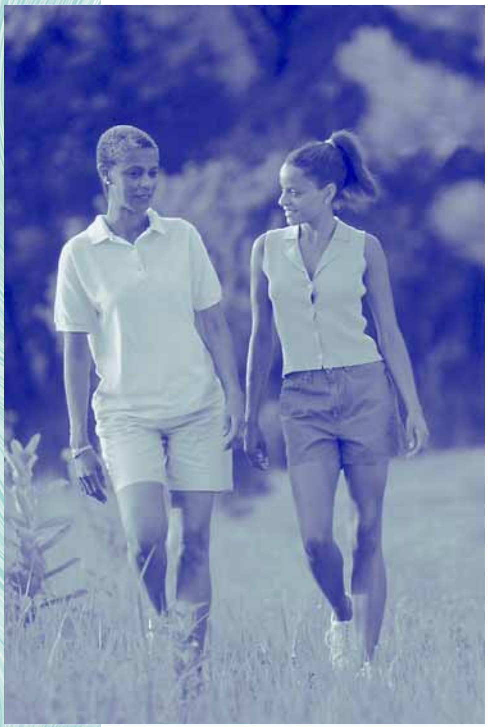
Remember, an estimate is just that—an estimate. You won't know for sure how much you'll get until you file your application and your actual service credit, wage, and age are figured into the calculation.

straight life

early reduced retirement

survivor option

equated plan



Consider your options carefully.

You must choose your payment option when you apply for your pension. After your retirement effective date, you cannot change your election or your designated survivor beneficiary for any reason. Read carefully, ask questions, estimate under various scenarios, talk with your family—but do it now, because you can't change it after you retire.

A final note. Don't forget that our online calculator will do the math for you! Navigate to Defined Benefit Plan/Benefit Estimator at **www.michigan.gov/ors**.

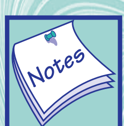
STRAIGHT LIFE OPTION / FULL RETIREMENT

If you choose this payment option, you receive the maximum monthly benefit payable throughout your lifetime. No ongoing benefits—payments or insurance—are provided to your survivors.

Calculate your annual straight life benefit by multiplying your FAC times your years of service credit times 1.5 percent (0.015). Divide the product by 12 to calculate your monthly straight life benefit.

Every calculation for other payment options (survivor, equated, early reduced) begins with a calculation of your straight life pension.

Mr. Mac			Your Estimate		
Mr. Mac is retiring at age 57 with 31 years of service.			You plan on retiring at age _____ with _____ years of service.		
Mr. Mac's FAC from page 12		$41,875.37	Enter your FAC from page 12		
Mr. Mac multiplied his FAC by 1.5%.	X	.015	Multiply your FAC by 1.5%.	X	.015
	=	628.13		=	
Mr. Mac's Years of Service	X	31	Your Years of Service	X	
MR. MAC'S ANNUAL PENSION	=	$19,472.05	YOUR ANNUAL PENSION	=	
	÷	12		÷	12
MR. MAC'S MONTHLY PENSION	=	$ 1,622.67	YOUR MONTHLY PENSION	=	



Additional notes about the Straight Life Option.

- If you are married and choose a straight life option your spouse must sign off and waive his or her right to your pension benefit.
- If you are married and name someone other than your spouse as your beneficiary, your spouse must sign off and waive his or her right to your pension benefit.
- Your spouse will be eligible for state-sponsored insurance benefits during your lifetime whether you choose the straight life or a survivor option.
- No monthly pension or insurance benefits will continue to any beneficiary if you choose a straight life option. However, if there are any ***personal contributions*** on account when you die (from service prior to 1974, or any service credit purchases and interest), there will be a lump-sum payout to the person you have named as your Defined Benefit plan refund beneficiary. If you have personal contributions on account, be sure to keep your refund beneficiary designation up-to-date.

personal contributions

STRAIGHT LIFE OPTION / COVERED RETIREMENT

If you're a covered employee (responsible for the care and supervision of prisoners), your supplemental pension is calculated as follows: Multiply your FAC times 2 percent times your years of covered service; add that to your FAC times 1.5 percent times your years of uncovered service . You'll receive this annual amount until you're age 62, when your pension will be recalculated as a regular retirement, multiplying your years of total service by your FAC times 1.5 percent.

Mr. Mac		Your Estimate	
Mr. Mac is retiring at age **57** with **25** years of service in a covered position and **5** years of uncovered service.		You plan on retiring at age ___ with ___ years of service in a covered position and ___ years of uncovered service.	
Step 1: Calculate the pension that you will receive until age 62.			
First, Mr. Mac calculated his covered service time.		*First, calculate your covered service time.*	
Mr. Mac's FAC from page 12	$41,875.37	Enter your FAC from page 12	
Mr. Mac multiplied his FAC by 2%.	X .02	Multiply your FAC by 2%.	X .02
	= 837.51		=
Mr. Mac's covered years of service	X 25	Your covered years of service	X
MR. MAC'S COVERED SERVICE PENSION	= $20,937.69	YOUR COVERED SERVICE PENSION	=
Second, Mr. Mac calculated his uncovered service.		*Second, calculate your uncovered service.*	
Mr. Mac's FAC	$41,875.37	Your FAC	$
Mr. Mac multiplied his FAC by 1.5%.	X .015	Multiply your FAC by 1.5%.	X .015
	= 628.13		=
Mr. Mac's uncovered years of service	X 5	Your uncovered years of service	X
MR. MAC'S UNCOVERED SERVICE PENSION	= $3,140.65	YOUR UNCOVERED SERVICE PENSION	= $
Third, Mr. Mac added his uncovered and covered service pensions together from above.		*Third, add your uncovered and covered service pensions together from above.*	
Mr. Mac's uncovered service pension from above	$3,140.65	Your uncovered service pension from above	
Mr. Mac's covered service pension from above	+ 20,937.69	Your covered service pension from above	+
MR. MAC'S ANNUAL PENSION UNTIL AGE 62	= $	YOUR ANNUAL PENSION UNTIL AGE 62	= $
	÷ 12		÷ 12
MR. MAC'S MONTHLY PENSION UNTIL AGE 62	= $ 2,006.53	YOUR MONTHLY PENSION UNTIL AGE 62	= $

CONTINUE YOUR CALCULATION ON THE NEXT PAGE.

Mr. Mac		Your Estimate	
Step 2: Calculate the pension that you will receive at age 62.			
Mr. Mac's FAC	$41,875.37	Enter your FAC	
Mr. Mac multiplied his FAC by 1.5%.	X .015	Multiply your FAC by 1.5%.	X .015
	= 628.13		=
Mr. Mac's total years of service *(covered plus uncovered)*	X 30	Your total years of service *(covered plus uncovered)*	X
MR. MAC'S ANNUAL PENSION AT AGE 62	= $18,843.92	YOUR ANNUAL PENSION AT AGE 62	=
	÷ 12		÷ 12
MR. MAC'S MONTHLY PENSION AT AGE 62	= $1,570.33	YOUR MONTHLY PENSION AT AGE 62	=

After you calculate your straight life benefit, you can go on to figure your pension under any of the survivor options. Because covered employees qualify under special eligibility rules, you cannot choose the early reduced benefit or equated plans.

STRAIGHT LIFE OPTION / CONSERVATION OFFICERS

If you are a conservation officer, your annual pension will be 60 percent of your 2-year FAC.

After you calculate your straight life benefit, you can go on to figure your pension under any of the survivor options and the equated plans. Because conservation officers qualify under special eligibility rules, you cannot choose the early reduced benefit.

Mr. Mac			Your Estimate		
Mr. Mac is retiring at age 57 with 25 years of service as a conservation officer.			You plan on retiring at age _____ with _____ years of service as a conservation officer.		
Step 1: Determine your Final Average Compensation (FAC).					
Mr. Mac used his pay stubs to determine his FAC.			*Determine your FAC by consulting your pay stubs and entering your 2 highest consecutive years of pay.*		
YEAR ONE	March 6, 2002 to March 5, 2003	$42,464.42	YEAR ONE	____________	
YEAR TWO	March 6, 2001 to March 5, 2002	+ $41,917.28	YEAR TWO	____________	+
		= $84,381.70			=
		÷ 2			÷ 2
MR. MAC'S FAC		= $42,190.85	YOUR FAC		=
Step 2: Calculate your straight life pension option.					
Mr. Mac's FAC from above		$42,190.85	Enter your FAC from above		
Mr. Mac multiplied his FAC by 60%.		X .60	Multiply your FAC by 60%.		X .60
MR. MAC'S ANNUAL PENSION		= $25,314.51	YOUR ANNUAL PENSION		=
		÷ 12			÷ 12
MR. MAC'S MONTHLY PENSION		= $ 2,109.54	YOUR MONTHLY PENSION		=

active member

EARLY REDUCED OPTION

You must be at least age 55, ***active*** (still working, not deferred), with at least 15 but less than 30 years of service credit to take an early reduced retirement. Calculate your straight life pension, then reduce it by one-half of one percent (.005) for each month you take your pension before age 60.

Additional notes about the early reduced option.

- The reduction in your pension is permanent. Expect to receive the same amount throughout your lifetime, with the exception of postretirement increases.
- Your 3 percent postretirement increases will be based on the dollar amount of the early reduced pension you receive.
- The early reduced pension calculation is performed before determining your pension amount under a survivor option or the equated plan.

Mr. Mac		Your Estimate	
Mr. Mac will retire at age **57** years and **6** months.		You plan on retiring at age_____ .	
Step 1: Determine the percentage by which your pension will be reduced.			
Mr. Mac is 30 months away from reaching age 60.	30	Enter the number of months before you will reach age 60.	
Multiply by 1/2% for each month he plans to retire early.	X .005	Multiply by 1/2% for each month you plan to retire early.	X .005
MR. MAC'S PENSION REDUCTION PERCENTAGE	= 15%	YOUR PENSION REDUCTION PERCENTAGE	= %
Step 2: Determine the dollar amount by which your pension will be reduced.			
Mr. Mac's monthly straight life pension from page 14	$ 1,622.67	Enter your monthly straight life pension from page 14	
Mr. Mac multiplied his straight life pension by his pension reduction percentage.	X .15	Multiply your straight life pension by your pension reduction percentage.	X
MR. MAC'S MONTHLY PENSION REDUCTION	= $ 243.40	YOUR MONTHLY PENSION REDUCTION	=
Step 3: Determine your early reduced monthly pension.			
Mr. Mac's monthly straight life pension from above	$ 1,622.67	Enter your monthly straight life pension from above	
Subtract the amount that Mr. Mac's pension will be reduced.	– 243.40	Subtract the amount that your pension will be reduced.	–
MR. MAC'S EARLY REDUCED MONTHLY PENSION	= $ 1,379.27	YOUR EARLY REDUCED MONTHLY PENSION	=

The Survivor Options

If you elect a survivor option, you receive a reduced lifetime benefit but your pension and health insurance benefits continue to your ***survivor pension beneficiary*** upon your death. You can name your spouse, child (including your adopted child) or grandchild, sibling, or parent as survivor pension beneficiary. If you are married and do not name your spouse as beneficiary, he or she must sign off on the survivor benefit.

survivor pension beneficiary

If you elect the 100 percent survivor option, upon your death your survivor will receive the same monthly benefit you received (before any tax, insurance premium, or other deductions). If you elect the 75 percent option, your survivor receives 75 percent of your benefit amount; with the 50 percent option your survivor will be paid half of your monthly pension payment.

The monthly pension amount for a survivor option is based on actuarial tables that factor in life expectancies for you and your beneficiary. These tables can be found with the worksheets on the following pages.

Additional notes about the survivor options.

Notes

- You cannot change your option *or* your survivor pension beneficiary for any reason after your retirement effective date.
- Upon your death, insurance benefits continue for your designated survivor pension beneficiary. Your eligible dependents who were covered at the time of your death will also continue to receive insurance benefits only if you have chosen the survivor option.
- If you elect one of the survivor options but then your pension beneficiary dies before you, your pension payment will increase to the full, straight life amount.
- Your choice of survivor benefits has no bearing on insurance payments for your dependents. If they are eligible, they have full coverage (not 75 percent or 50 percent coverage).
- If you get divorced after your pension begins, and your spouse is your pension beneficiary, you can change your survivor option to the straight life option only if ordered by the court.
- If you take the early reduced pension and also choose a survivor option, your early reduced pension is calculated first. This amount then becomes the basis for figuring your survivor option payment.

100% SURVIVOR PENSION

This option pays you a reduced benefit throughout your lifetime; upon your death your survivor pension beneficiary will receive the same amount you were receiving.

Mr. Mac		Your Estimate	
Mr. Mac will retire at age 57; his wife will be 51 years old when he retires.		You plan on retiring at age _____ and your pension beneficiary will be age _____.	
Mr. Mac's monthly straight life pension from page 14	$ 1,622.67	Enter your monthly straight life amount from page 14 or early reduced amount from page 18	
Mr. Mac used the chart below to find his percentage.	X .84	Use the chart below to find your percentage to multiply	X
MONTHLY 100% SURVIVOR PENSION (Mr. Mac and his wife) =	$ 1,363.04	MONTHLY 100% SURVIVOR PENSION (You and your beneficiary) =	

Directions: Find your age in the left column and your beneficiary's age in the top row. The point where they intersect tells you how much you, and your beneficiary upon your death, will receive on the dollar, based on your straight life estimate (less any early reduced reduction). If the table doesn't include the age ranges required for your situation, use the online calculator or contact ORS for assistance.

100% Survivor Option
Actuarial Table

Retiree Age \ Beneficiary Age	41	43	45	47	49	51	53	55	57	59	61	63	65	67	69
48	.90	.90	.91	.91	.92	.92	.92	.93	.93	.94	.94	.95	.95	.96	.96
49	.89	.90	.90	.90	.91	.91	.92	.92	.93	.93	.94	.94	.95	.95	.96
50	.88	.89	.89	.90	.90	.91	.91	.92	.92	.93	.93	.94	.94	.95	.95
51	.87	.88	.88	.89	.89	.90	.91	.91	.92	.92	.93	.93	.94	.94	.95
52	.87	.87	.88	.88	.89	.89	.90	.90	.91	.92	.92	.93	.93	.94	.94
53	.86	.87	.87	.87	.88	.88	.89	.90	.90	.91	.91	.92	.93	.93	.94
54	.85	.85	.86	.86	.87	.87	.88	.89	.89	.90	.91	.91	.92	.93	.93
55	.84	.84	.85	.85	.86	.86	.87	.88	.89	.89	.90	.91	.91	.92	.93
56	.83	.83	.84	.84	.85	.85	.86	.87	.88	.88	.89	.90	.91	.91	.92
57	.81	.82	.82	.83	.84	$\boxed{.84}$	.85	.86	.87	.87	.88	.89	.90	.91	.91
58	.80	.81	.81	.82	.82	.83	.84	.85	.86	.86	.87	.88	.89	.90	.91
59	.79	.79	.80	.81	.81	.82	.83	.84	.84	.85	.86	.87	.88	.89	.90
60	.77	.78	.79	.79	.80	.81	.81	.82	.83	.84	.85	.86	.87	.88	.89
61	.76	.77	.77	.78	.78	.79	.80	.81	.82	.83	.84	.85	.86	.87	.88
62	.75	.75	.76	.76	.77	.78	.79	.79	.80	.81	.82	.83	.85	.86	.87
63	.73	.73	.74	.75	.75	.76	.77	.78	.79	.80	.81	.82	.83	.84	.85
64	.71	.72	.72	.73	.74	.75	.75	.76	.77	.78	.80	.81	.82	.83	.84
65	.70	.70	.71	.71	.72	.73	.74	.75	.76	.77	.78	.79	.80	.82	.83
66	.68	.69	.69	.70	.70	.71	.72	.73	.74	.75	.76	.78	.79	.80	.81

75% SURVIVOR PENSION

This option pays you a reduced benefit throughout your lifetime; upon your death your pension beneficiary's monthly payment will be 75 percent of the amount you were receiving.

Mr. Mac		Your Estimate	
Mr. Mac will retire at age 57; his wife will be 51 years old when he retires.		You plan on retiring at age _____ and your pension beneficiary will be age _____.	
Step 1: Determine your monthly 75% survivor pension.			
Mr. Mac's monthly straight life pension from page 14	$ 1,622.67	Enter your monthly straight life or early reduced option (p. 14 or 18)	
Mr. Mac used the chart below to determine his percentage.	X .88	Use the chart below to find the percentage to multiply.	X
MR. MAC'S MONTHLY 75% SURVIVOR PENSION =	$ 1,427.95	YOUR MONTHLY 75% SURVIVOR PENSION =	
Step 2: Determine your survivor's monthly pension.			
Mr. Mac's monthly 75% survivor pension from above	$ 1,427.95	Enter your monthly 75% survivor pension from above	
Multiply by 75%.	X .75	Multiply by 75%.	X .75
MR. MAC'S SURVIVOR'S MONTHLY PENSION =	$ 1,070.96	YOUR SURVIVOR'S MONTHLY PENSION =	

Directions: Find your age in the left column and your beneficiary's age in the top row. The point where they intersect tells you how much you, and your beneficiary upon your death, will receive on the dollar, based on your straight life estimate (less any early reduced reduction). If the table doesn't include the age ranges required for your situation, use the online calculator or contact ORS for assistance.

75% Survivor Option
Actuarial Table

Retiree Age \ Beneficiary Age	41	43	45	47	49	51	53	55	57	59	61	63	65	67	69
48	.93	.93	.93	.94	.94	.94	.95	.95	.95	.96	.96	.96	.97	.97	.97
49	.92	.92	.93	.93	.93	.94	.94	.95	.95	.95	.96	.96	.96	.97	.97
50	.91	.92	.92	.92	.93	.93	.94	.94	.94	.95	.95	.96	.96	.96	.97
51	.91	.91	.91	.92	.92	.93	.93	.94	.94	.94	.95	.95	.96	.96	.96
52	.90	.90	.91	.91	.92	.92	.93	.93	.93	.94	.94	.95	.95	.96	.96
53	.89	.90	.90	.90	.91	.91	.92	.92	.93	.93	.94	.94	.95	.95	.96
54	.88	.89	.89	.90	.90	.91	.91	.92	.92	.93	.93	.94	.94	.95	.95
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56	.87	.87	.88	.88	.89	.89	.90	.90	.91	.91	.92	.93	.93	.94	.94
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58	.85	.85	.86	.86	.87	.87	.88	.88	.89	.90	.91	.91	.92	.93	.93
59	.84	.84	.85	.85	.86	.86	.87	.88	.88	.89	.90	.90	.91	.92	.93
60	.82	.83	.83	.84	.85	.85	.86	.86	.87	.88	.89	.89	.90	.91	.92
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63	.79	.79	.80	.80	.81	.81	.82	.83	.84	.85	.85	.86	.87	.88	.89
64	.77	.78	.78	.79	.79	.80	.81	.82	.82	.83	.84	.85	.86	.87	.88
65	.76	.76	.77	.77	.78	.79	.79	.80	.81	.82	.83	.84	.85	.86	.87
66	.74	.75	.75	.76	.77	.77	.78	.79	.80	.81	.82	.83	.84	.85	.86

50% SURVIVOR PENSION

This option pays you a reduced benefit throughout your lifetime; upon your death your pension beneficiary's monthly payment will be 50 percent of the amount you were receiving.

Mr. Mac		Your Estimate	
Mr. Mac will retire at age 57, his wife will be 51 years old when he retires.		You plan on retiring at age _____ and your pension beneficiary will be age _____.	
Step 1: Determine your monthly 50% survivor pension.			
Mr. Mac's monthly straight life pension from page 14.	$ 1,622.67	Enter your monthly straight life or early reduced option (p. 14 or 18)	
Mr. Mac used the chart below to determine his percentage.	X .91	Use the chart below to find the percentage to multiply.	X
MR. MAC'S MONTHLY 50% SURVIVOR PENSION =	$ 1,476.63	YOUR MONTHLY 50% SURVIVOR PENSION =	
Step 2: Determine your survivor's monthly pension.			
Mr. Mac's monthly 50% survivor pension from above	$ 1,476.63	Enter your monthly 50% survivor pension from above.	
Multiply by 50%.	X .5	Multiply by 50%.	X .5
MR. MAC'S SURVIVOR'S MONTHLY PENSION =	$ 738.31	YOUR SURVIVOR'S MONTHLY PENSION =	

Directions: Find your age in the left column and your beneficiary's age in the top row. The point where they intersect tells you how much you, and your beneficiary upon your death, will receive on the dollar, based on your straight life estimate (less any early reduced reduction). If the table doesn't include the age ranges required for your situation, use the online calculator or contact ORS for assistance.

50% Survivor Option
Actuarial Table

Retiree Age \ Beneficiary Age	41	43	45	47	49	51	53	55	57	59	61	63	65	67	69
48	.94	.95	.95	.95	.95	.96	.96	.96	.96	.97	.97	.97	.97	.97	.98
49	.94	.94	.95	.95	.95	.95	.96	.96	.96	.96	.97	.97	.97	.97	.97
50	.94	.94	.94	.94	.95	.95	.95	.95	.96	.96	.96	.97	.97	.97	.97
51	.93	.93	.94	.94	.94	.95	.95	.95	.95	.96	.96	.96	.97	.97	.97
52	.93	.93	.93	.93	.94	.94	.94	.95	.95	.95	.96	.96	.96	.97	.97
53	.92	.92	.93	.93	.93	.94	.94	.94	.95	.95	.95	.96	.96	.96	.97
54	.92	.92	.92	.92	.93	.93	.93	.94	.94	.95	.95	.95	.96	.96	.96
55	.91	.91	.92	.92	.92	.93	.93	.93	.94	.94	.95	.95	.95	.96	.96
56	.90	.91	.91	.91	.92	.92	.92	.93	.93	.94	.94	.94	.95	.95	.96
57	.90	.90	.90	.91	.91	$\boxed{.91}$	.92	.92	.93	.93	.94	.94	.94	.95	.95
58	.89	.89	.89	.90	.90	.91	.91	.92	.92	.92	.93	.93	.94	.94	.95
59	.88	.88	.89	.89	.89	.90	.90	.91	.91	.92	.92	.93	.93	.94	.94
60	.87	.87	.88	.88	.89	.89	.90	.90	.91	.91	.92	.92	.93	.93	.94
61	.86	.87	.87	.87	.88	.88	.89	.89	.90	.90	.91	.92	.92	.93	.93
62	.85	.86	.86	.86	.87	.87	.88	.88	.89	.90	.90	.91	.91	.92	.93
63	.84	.85	.85	.85	.86	.86	.87	.87	.88	.89	.89	.90	.91	.91	.92
64	.83	.83	.84	.84	.85	.85	.86	.86	.87	.88	.88	.89	.90	.91	.91
65	.82	.82	.83	.83	.84	.84	.85	.85	.86	.87	.87	.88	.89	.90	.90
66	.81	.81	.82	.82	.83	.83	.84	.84	.85	.86	.86	.87	.88	.89	.90

THE EQUATED PLAN

This plan pays you a higher pension until you are age 65, and then your monthly pension is permanently reduced. You might choose to receive the equated plan if you want your overall income to remain fairly even both before and after social security begins.

So that your income (pension only) before age 65 is the same as your combined income (pension and social security) after age 65, the increased pension before age 65 is based on a portion of your projected social security benefit. When you apply for your pension, you provide us with an estimate of your full social security benefit. Request this from the Social Security Administration at **www.socialsecurity.gov/my statement**, or (800) 772-1213.

Because calculating your "before and after" pension involves so many variables, it's not possible to provide tables and worksheets here. However, our online benefit estimator will do it for you simply and quickly. Obtain your social security estimate as noted above, and plug in your numbers at the ORS website.

The equated plan can be confusing. It is important to have a full understanding of it, because you can't change your mind after you retire.

Think of the equated plan as if you are borrowing against your pension until age 65.

When to choose the equated plan.

DO consider the equated plan if:

- You prefer having a relatively even income throughout your retirement.
- You believe you would be money ahead by investing the pension "advanced" to you before age 65.
- You want to receive more sooner because your life expectancy is uncertain.

DON'T choose the equated plan if:

- You don't want your pension permanently reduced at age 65.
- You like the idea of having more monthly income when social security begins.
- You don't want the higher pre-65 income to put you in a higher tax bracket (remember that extra IRS exemptions kick in at age 65).
- You expect to live longer than the life expectancy tables say, and you believe that the permanent reduction will end up costing you money.

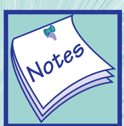
As you can see in the illustration below, under the equated plan your pension amount goes down at age 65, but your overall income remains the same.

Mr. Mac at Age 55		
Pre-65 Pension	Straight Life amount $1,570 Advanced amount 551	$2,121
Social Security		+ 0
TOTAL MONTHLY INCOME		$2,121

Mr. Mac at Age 65	
Post-65 Pension	$ 588
Social Security	+ $1,533
TOTAL MONTHLY INCOME	$2,121

PENSION REDUCED AT AGE 65

TOTAL INCOME REMAINS THE SAME



Additional notes on the equated plan.

- The equated plan has no bearing on postretirement increases, so you'll get the standard increase (3 percent, not to exceed $25 per month) that is based on your straight life amount.
- If you are age 65 or older, eligible for a disability retirement, or qualify for a supplemental pension as a covered employee responsible for prisoners, you can't choose the equated plan.
- Your pension is reduced at age 65 regardless of when you actually begin receiving your social security and regardless of how much it actually is.
- Your "full retirement age" for social security benefits is later than age 65 if you were born after 1937. We adjust for this when we calculate your equated plan pension. (We determine your age 65 social security amount based on the "full retirement age" social security estimate you provide.)
- Your pension payment reduction under the equated plan takes effect the month after your 65th birthday.

COMBINED EQUATED AND SURVIVOR OPTION

You can elect any of the survivor options and can still choose the equated plan. These are known as the 100% equated, 75% equated, and 50% equated plan options.

To calculate your equated survivor benefit, we start with your applicable (100, 75, or 50 percent) survivor benefit amount. We then use that figure and your social security estimate at age 65 to determine your pre-65 and post-65 equated amount.

If you are interested in receiving a combined equated and survivor option benefit estimate, refer to our online estimator or contact our office.

Additional notes about the equated survivor option.

- If your beneficiary should die before you, your benefit will revert to a straight life equated plan.
- If you die, your survivor will receive the standard survivor amount calculated under a 100, 75, or 50 percent survivor benefit, as if the equated plan had not been chosen.

V. Continuing Your Insurance Benefits

When you retire, you're eligible to continue in the state-sponsored group health, dental, and vision insurance. Your life insurance continues but at a reduced face value.

If you leave under a deferred retirement, you can enroll in the health, dental, and vision group insurance when you begin receiving your pension at age 60, but you won't be eligible for the group life insurance.

Health Insurance Options for Retirees

The Employee Benefits Division of Michigan's Department of Civil Service negotiates the carriers, coverage, and rates for retirees just as it does for active employees. In addition to the State Health Plan PPO administered by Blue Cross Blue Shield of Michigan, some of the HMOs that offer plans for active employees also offer coverage for retirees. Because these things change fairly frequently, the best way to find out which providers participate, compare coverage, and check premium rates is through the ORS or Civil Service websites. We will also provide up-to-date information when you begin the application process.

The state-sponsored dental, health, vision, pharmacy, and mental health plans are the same for active members and retirees. That is, you will have the same coverage as a retiree that you have as an active employee.

No break in your coverage.

Your insurance protection as a retiree begins on your retirement effective date. Since your coverage as an active employee continues through the end of the month in which you terminate employment, there should be no break in coverage as you go from active to retired status. However, if you file your application after the month in which you terminate employment, or if you waive coverage when you're first eligible, there could be a 6-month delay in your coverage.

coordination of benefits

Don't duplicate your coverage.

The state's health, dental, and vision plans contain a ***coordination of benefits*** provision, which says you can't be reimbursed for more than the allowed cost of your care or service. If you or your dependents are covered under another group plan, the plans coordinate their reimbursement so that their combined payments don't exceed the allowed expenses for your care or service.

In addition, you cannot enroll your spouse as an insurance dependent if he or she is separately enrolled as an eligible state employee or retiree.

The state helps pay your premiums.

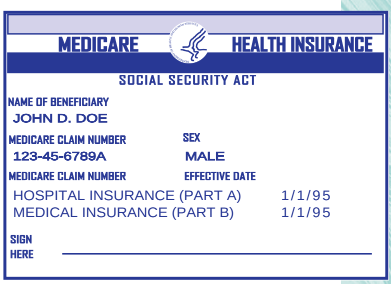
After you retire, the state pays most of your health insurance premiums. Your cost will be deducted from your pension. Once you or your covered spouse is eligible for Medicare, the state may pay your health insurance premiums in full.

Any health insurance premium changes occur in October of each year. ORS will send you a notice in advance if your premiums are changing. You can also find current rates at the ORS website (**www.michigan.gov/ors**) and the Employee Benefits section of the Department of Civil Service website (**www.michigan.gov/mdcs**).

When Medicare begins.

You're eligible for Medicare at age 65 (or after 24 months of social security disability eligibility). The Social Security Administration automatically enrolls you in Medicare Part A, which covers inpatient hospital care and has no cost to you. Part B, which has a monthly premium and is therefore optional, covers physician and other outpatient medical expenses.

Though Part B is optional, you must enroll as soon as you are eligible because your state health coverage automatically becomes a supplement to Medicare. This means that it will no longer pay any expenses normally paid by Medicare. It will, however, pay for expenses Medicare approves but does not pay for, like your deductible and copays (assuming the service is covered by your state health plan).



Your Life Insurance

Your life insurance will continue after you retire, but the policy will be 25 percent of the amount of insurance you carry at the time you retire from state employment. If you defer your retirement (leave state employment but wait until age 60 to apply for your pension), you waive your right to group life insurance.

The state pays your life insurance premiums in full. While you don't need to take any action to enroll in the life insurance, at the time you file your retirement application you will be given a *Retiree Life Insurance Beneficiary Designation* form. Use this same form if you want to change your life insurance beneficiary after you retire.

Conversion rights.

Within 30 days of retirement, you can convert the remaining 75 percent of your active life insurance to a private direct pay policy. Your human resource office or the Employee Benefits Division can provide a rate schedule and a conversion application if you wish to convert life insurance coverage for yourself or a dependent.

About Long-Term Care Insurance

Long-term care insurance helps offset the cost of custodial care provided in a nursing facility or in the home. The state has established a group plan with MetLife for long-term care insurance for active (working) employees and retirees, as well as their parents, parents-in-law, grandparents, and grandparents-in-law.

While the state negotiated this offering for employees and retirees, it neither encourages nor discourages you to enroll. Eligibility, enrollment, coverage, and cost questions about the long-term care insurance should be directed to MetLife at **(800) GET-MET8** or **http://stateofmichigan.metlife.com**).

Coverage for Your Dependents

Eligible dependents for health, dental, and vision insurance plans include your spouse (as long as he or she is not also separately enrolled as an eligible state employee or retiree) and your unmarried children until the end of the month in which they turn 19. Coverage for your eligible dependents will be the same as yours. You may be asked to provide tax returns as proof of dependency and school records as proof of school attendance.

In addition to being unmarried, children must meet the following conditions to be considered eligible. They must be:

- Your children by birth or legal adoption who are in your custody and dependent on you for support.
- Your children by birth or legal adoption who do not reside with you, but are your legal responsibility for the provision of medical care (for example, children of divorced parents).

In the case of legal adoption, a child is eligible for coverage as of the date of placement. Placement occurs when you become legally obligated for the total or partial support of the child in anticipation of adoption. A sworn statement with the date of placement or a court order verifying placement is required.

Continuing coverage for your dependent children.

If your coverage is still active but your dependent child no longer meets the eligibility criteria outlined above, your dependent child can remain on your coverage through the month in which the child turns 25 if he or she is:

- Unmarried and between the ages of 19 and 25.
- Dependent on you for financial support.
- A student who regularly attends school.

If your enrolled dependent is an incapacitated child, coverage will continue as long as he or she became incapacitated before age 19, continues to be incapacitated, and your coverage does not terminate for any other reason. Incapacitated children are those who are unable to earn a living because of a mental or physical impairment and must depend on their parents for support and maintenance. To ensure uninterrupted coverage for your incapacitated child, you must furnish proof of incapacitation and dependency before the end of the month in which the child turns 19.

Additional notes about insurance for your dependents.

- Life insurance continues for your dependents after you retire, but their coverage is reduced to $1,000. (You may be able to convert the difference to a direct pay policy; ask your human resource office within 30 days of your retirement.)
- A federal law, the Consolidated Omnibus Budget Reconciliation Act (COBRA), allows your dependent the option of paying for continued health insurance coverage for up to 36 months after a qualifying event. The insurance carrier may also offer a conversion policy. Your dependents will be notified of these options.
- Upon your death, insurance benefits continue for your survivor pension beneficiary. Your eligible dependents who were covered at the time of your death will continue to receive insurance benefits only if you have chosen the survivor option.

VI. Beefing Up Your Benefit

Now that you know how your salary and service figure into your benefit calculation, you might be thinking of ways to maximize your monthly pension. In this section, we give you a few tips for increasing both the salary and the service figure to boost your benefit. We also encourage you to consider how increasing your deferred compensation deductions may lead to a more secure retirement.

Increasing Your FAC

There aren't too many ways to increase your final average compensation, or FAC, short of a pay increase, promotion, or working overtime or premium time. Remember, however, that if your FAC period is your final three years of employment (immediately preceding your retirement), some compensation payouts are included in your FAC. Taking your annual leave as a payout rather than using it before you retire might boost your final average compensation and thereby your pension amount. (Refer to Section III for the list of compensation payouts that count in your FAC.)

Adding to Your Service Credit

Obviously, the longer you work the higher your benefit will be. But there are other ways to increase the years of service factor in your pension calculation. Your plan permits the following:

- Service credit may be granted (at no cost) while you are on leave for active duty military service or worker's compensation.
- You may be able to purchase or be credited for maternity, paternity, or child-rearing time; Michigan public school or university employment; active duty military service; your work for a city, county, township, village in Michigan, another state, or the federal government; or various other state agencies, courts, and federal programs.
- You can purchase ***universal buy-in (UBI)*** service credit, which is available to all Defined Benefit plan members.
- If you had a prior period of state employment but then withdrew your contributions to the system when you left employment, you can ask to pay back the amount refunded to you, plus interest, to reinstate your prior service.

universal buy-in (UBI)

You're averaging $35,000 per year; you have 30 years of state service.

$35,000
x 1.5%
x 30 years = $15,750 per year

Your pension: **$1,313 per month**

You decide to buy an additional five years of service credit.

$35,000
x 1.5%
x 35 years = $18,375 per year

Your pension: **$1,531 per month**

With few exceptions, purchased service isn't credited to you until you are vested, nor can you count it toward your ten-year (or five-year) minimum eligibility requirement. With few exceptions, the most you can purchase is ten years of service. If your service credit purchase is based on other employment (public schools, units of government), you must forfeit your right to any benefit for which the service may make you eligible.

In all cases, your purchase must be completed before you leave state service.

The cost of service credit.

The "price" of service credit depends on the type of credit, your age, and rate of pay. Generally, the older you are, the higher the cost. The following chart outlines costs and limits for various service credit types. But because each type of service credit has its own restrictions and application process, please use this only as a general overview. For further details, or to estimate costs when "actuarial cost" is shown in the table, refer to ORS publication *Enhancing Your Pension: Earning and Purchasing Service Credit*.

Service Credit
Costs and Limits

Type	Cost	Limit
Universal Buy-In *Anyone can buy*	Actuarial cost	5 years, reduced by purchases of credit types eliminated from law as of 8/1/98
Maternity/Paternity/Child Rearing Time City, County, Township, Village in Michigan Other States or Federal Service	Actuarial cost	5 years No more than 10 years total of any combination of universal buy-in; maternity/paternity/child rearing time; Michigan city, county, township, or village; and other state or federal government service credit
Active Duty Military Service	Intervening: no charge Nonintervening: 5% of highest previous fiscal year salary	5 years 5 years
University Service	Pre-1974: Contributions that would have been made on wages earned, plus interest Post-1974: no charge	No limit
Michigan Public School Service	Refunded contributions, plus interest Post-1974: no charge	No limit
Court of Record	Refunded contributions plus interest No charge if contributions not refunded	No limit
Comprehensive Employment and Training Act of 1973 (CETA)	No cost to member	No limit
Enlisted State Police Officer	Pre-1974: refunded contributions, plus interest Post-1974: no charge	No limit
County Social Welfare Agency	$50 per month $600 per year	No limit

Three ways to purchase.

You can buy service credit in three ways:

- Direct payment (check or money order).
- Roll over funds from a qualified retirement plan such as your CitiStreet 401(k) or 457 account, a qualified plan established with a previous employer, or a conduit IRA (individual retirement account). A traditional IRA is not eligible for rollover distribution.
- Sign up for the tax-deferred payment (TDP) program. Payments are deducted from your paychecks by your employer. Taxes on the amount withheld are deferred until you begin receiving your monthly pension payment.

You must weigh costs versus benefits when considering a service credit purchase. Once you know your cost, use our online calculator to see how additional service credit would affect your pension amount.

Don't delay!

Regardless of how you pay, remember that your full service credit purchase must be completed before you leave state service or it will not count. Don't wait until the last minute!

Catch Up on Your Deferred Compensation

Your Deferred Compensation 401(k) and 457 plans are a great way to boost your income in retirement. Remind yourself of the tax advantages when you contribute to your account through biweekly payroll deductions. And refresh your knowledge of all the higher limits and other incentives the law permits for savers over the age of 50.

If you'd like more information or wish to increase your deferred compensation contributions, contact CitiStreet soon. Most transactions can be handled via CitiStreet's fully interactive website at **http://stateofmi.csplans.com**, or you can call (800) 748-6128 during normal office hours. While you're at it, you might want to ask for the *Guide to Termination and Retirement Distributions* so you know the different ways you can have your account paid out to you when the time comes.

VII. Choosing a Date

You know when you'll be eligible, and you know how to figure the monthly benefit. Now you must decide when the time is right to retire. Naturally there are health, leisure, and family considerations, in addition to financial obligations. Here are a few things to help you decide if you're ready; then we'll give you some tips on deciding when to go.

Are You Ready to Retire?

Answering these questions may provide some insight into how well prepared you are to retire.

- Do you own your home free and clear? If not, will you have enough income to pay for it?
- Have you planned for the future of children or others financially dependent on you?
- Have you estimated how much retirement income you will receive from all sources? Is your estimate between 60-80 percent of your preretirement income?
- Have you included a realistic inflation factor in estimating the income you will need throughout retirement?
- Have you saved for or planned for major expenses such as home repairs or an automobile purchase you expect to make during retirement?
- Do you plan to maintain cash in reserve for a family emergency?
- Do you have a current estimate from the Social Security Administration of what your benefits will be?
- Have you considered that at a time of increasing life expectancies, greater demand is placed on your personal savings and investments since they must last for a longer period of time?
- Do you already have a fulfilling leisure time activity or hobby you plan to devote more time to in retirement?

Be sure to attend a Preretirement Orientation for answers to all your retirement questions. See www.michigan.gov/mdcs.

The more "yes" answers you have, the more adequate your retirement preparation and the more likely you'll be able to preserve your standard of living.

If you have more "no" than "yes" answers, should you delay your retirement date and continue to work? Only you can answer this.

When to Go?

Some people are ready to go the minute they're eligible. Others like to weigh every factor before deciding on a date. Below are some things you might want to consider when choosing your retirement date.

Retirement effective date.

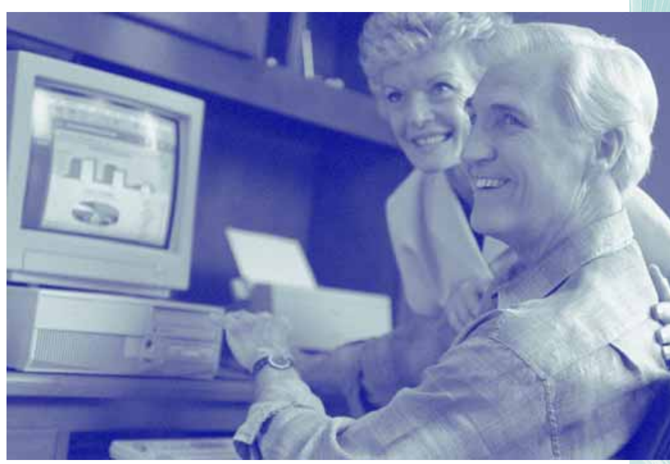
Remember, your retirement effective date is the first day of the month following the month in which you've met all the eligibility requirements, you've terminated employment, and you've submitted your retirement application to ORS.

Social security.

Your social security benefit will not affect your pension, but it could affect your overall finances. Your taxable income will be higher, so you may want to take a look at your tax withholding rate when you begin receiving social security. When your Medicare coverage begins, typically at age 65, we will reduce your portion of the state health insurance premiums deducted from your pension. For information on social security benefits, go to **www.socialsecurity.gov**, call toll-free (800) 772-1213, or visit your local office.

Note: If you elect one of the equated plan options, your pension will be reduced at age 65 regardless of when you actually begin receiving your social security and regardless of how much it actually is. Remember, your age 65 pension reduction is based on the social security estimate you provide to ORS when you apply.

Taxes on your pension.



Your pension is subject to federal income tax (except for any portion of the pension representing personal contributions or service credit purchases made with post-tax dollars). Federal taxes will be withheld from your pension according to the withholding instructions you give us when you retire. Your pension is exempt from Michigan and local income taxes, though you'll still have to file a state and city tax return. If you live outside of Michigan, you should check the state and local income tax regulations in your area.

Working after retirement.

Your earnings after you retire will not affect your pension unless the state of Michigan is your employer; payments and insurance benefi[illegible]nded for any month in which state wages are paid. (If your pension is bas[illegible] you're able to return to work, however, your earnings could affect y[illegible]s in this situation.)

Please see the Working After Retirement addendum by clicking here.

Your membership in the Defined Benefit plan [illegible]ire. If you return to state employment you will be covered under the state's [illegible] Contribution retirement plan.

Early reduced or deferred?

If you're thinking about retiring before age 60 and you're debating whether to take the permanent reduction of the early reduced benefit or defer your retirement until age 60 to get your full benefit, consider the insurance ramifications. As a deferred member you (and your dependents) aren't eligible for the state health insurance. You will again be eligible for insurance when you apply at age 60.

Effects of divorce.

alternate payee

eligible domestic relations order (EDRO)

If you divorce while you are an active or deferred member, the court may order that a portion of your pension be paid to an ***alternate payee*** such as your former spouse or dependent child. The order (known as an ***eligible domestic relations order***, *or* ***EDRO***) must contain specific information in a specific format, and must be on file with ORS prior to your retirement effective date. Details and sample language can be found in the ORS publication *Eligible Domestic Relations Orders*.

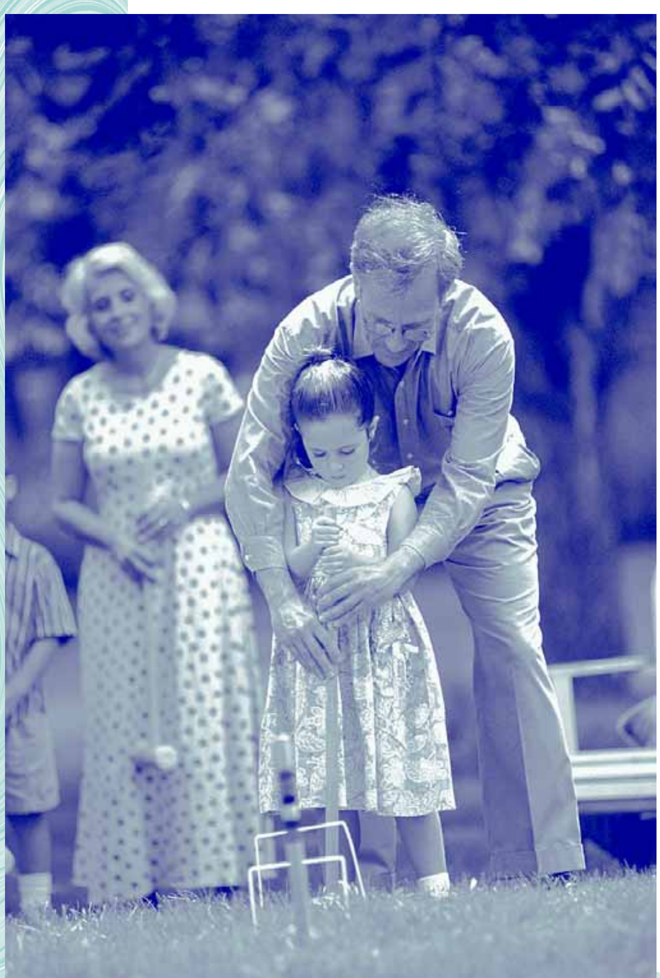
The EDRO Act doesn't apply to a divorce after retirement.

Postretirement increases.

As explained in Section III, you'll receive a fixed 3 percent, noncompounding increase (not to exceed $25 per month) each October after you've been retired a full year.

Deferred compensation and other savings.

Before choosing a date, it would be wise to think about how, and when, you plan to draw your savings, deferred compensation funds, and other retirement accounts. CitiStreet can tell you payout options and tax ramifications. You might also wish to consult a financial advisor who can help you gauge how long your savings might last into your golden years, and maybe even tell you how to minimize taxes and make your money go further.



VIII. How to Apply

You've made the decision, and set the date. Three or four months before you retire, ask ORS to send you a retirement packet (most forms can be downloaded from the ORS website at **www.michigan.gov/ors**).

Note: Don't delay filing your application! Sinc e we cannot pay retroactively, you could end up losing benefits if you apply after the month you terminate employment.

What You Will Need

ORS cannot process your retirement until you submit a completed, error-free application. The packet will include forms and information regarding insurance, taxes, and electronic funds transfer so you can have your check deposited into your bank account.

In addition to the forms in the retirement packet, you will need to provide the following:

- **Proof of age**. See below for a list of proofs we can accept. If you elected a survivor option, you will also need to furnish proof of your beneficiary's age.
- **Bank deposit slip or voided check.** If you're choosing direct deposit—the safest and most convenient way to receive your pension payments—attach a deposit slip or voided check to the *Electronic Funds Transfer* application included in the retirement packet.
- **Proof of insurance dependent's eligibility**. If you enroll dependents under your insurance plan, you must provide proof of age, dependency, and school attendance (or incapacity, if applicable).
- **HMO application**. The packet includes an enrollment form for the State Health Plan PPO, but if you are enrolling in one of the HMOs you will need to contact the HMO for an enrollment form. (Submit the enrollment with your retirement application. ORS will arrange for premium deductions from your pension and then forward the information to the HMO.)
- **Social Security Statement**. If you elect an equated plan, you must provide a statement from the Social Security Administration that estimates your full retirement age benefit. When you request the statement, be sure to include any projected earnings through the date you retire—it makes a big difference in your estimate, and therefore your equated pension amount.

Proving Your Age

You will need to furnish proof of your age, and your beneficiary's age if you've elected a survivor option, when you apply for your pension. Photocopies are fine. See the list on the next page for acceptable proofs, in order of preference.

PREFERRED PROOF OF AGE

The record must include your date of birth or age. Photocopies are acceptable.

- Birth certificate.
- Hospital birth record.
- Church baptismal record established during the first few years of your life.
- Passport.
- Delayed birth certificate.
- Social security documentation. If none of the above is available and you have applied for a social security benefit and documented your date of birth, a statement from the Social Security Administration is sufficient. This statement must include your date of birth and explain that you have filed sufficient documentation to establish your date of birth.

ALTERNATE PROOF OF AGE

If you have not applied for social security benefits, photocopies of at least two of the following documents may be used. Records established early in life are preferred.

- School record.
- Church record.
- State or federal census record.
- Statement signed by physician or midwife who attended the birth.
- Family bible or other family record.
- Insurance policy.
- Marriage record.
- Employment record.
- Military record.
- Child's birth certificate that shows age of parent.
- Other records such as a hospital treatment record, labor union or fraternal record, permits, licenses, voting or registration records, or poll tax receipts.

FOREIGN BIRTH

If you were born in a foreign country, you may provide any of the items listed above or one of the following:

- Foreign passport.
- Immigration record established upon arrival in the United States.
- Naturalization record (citizenship paper).
- Alien registration card.

What Happens Next?

As soon as we receive your application, we will send you an acknowledgment letter. This notice summarizes your selections including your retirement effective date, pension option, survivor option beneficiary, insurance choices, and tax exemptions requested. It will also include a preliminary pension estimate (at this point your final payout information is probably not yet available). Be sure to provide any missing information or documents noted in the letter.

award letter

Once you have terminated employment and all required paperwork is in, we will obtain your final payout information, recalculate, and put you on the state's retirement payroll. You'll get an ***award letter*** that tells you how much your pension payment is and when you can expect it. This letter details how your pension was calculated (final wage and service totals) as well as any deductions (insurance premiums, taxes) reflected in the payment amount. Keep this letter in a safe place so that you have an easy-to-find record of your pension benefits.

Pensions are paid around the 25th of each month for the month they are due (December payments are issued about one week early). Since we are tied to state pay period cycles and Treasury delivery schedules, your first pension check could be delayed if you applied late or retired late in a month. You will be paid retroactive to your retirement effective date. However, if you apply after the month you terminate employment, we cannot pay you retroactively.

We will forward your insurance enrollment forms to your health, dental, and vision carriers. You should receive insurance identification cards and materials a few weeks after your pension begins. If you require health services before your cards arrive, save your itemized receipts for submission afterwards. Or, if necessary, have the provider verify your coverage with ORS.

If you disagree with the decision.

If you disagree with a determination made by ORS concerning your retirement benefits, you may request a review by writing to ORS, stating the basis for your disagreement and providing all information which you believe supports your position. Your request will be thoroughly reviewed and you will be notified in writing of the outcome.

After Payments Begin

When you receive your award letter, you'll be given information about what you can expect as far as payment schedules, taxes, leave payouts, and so forth, as well as a guide to your reporting responsibilities. Here is some brief information so you can plan.

Prevent worries about late or lost pension checks. Sign up for EFT!

You will receive an EFT (electronic funds transfer) statement in advance at least once per quarter that details your pension deposits. If you aren't using direct deposit, your statement will be included with your monthly check.

In January of each year we will send you an IRS form *1099R – Retirement Annual Income* statement. You will need this when you file your tax returns. You can change your tax withholding rate at any time by completing the *Pension Recipient's Federal Income Tax Withholding Authorization*.

The retirement law requires the system to correct any payment errors. As a result, any person who receives a benefit payment in error will be required to repay the benefit.

IX. Enjoy Your Retirement!

We hope that this booklet has answered all of your questions about your Defined Benefit pension. We also hope that you are well-informed and ready to make the important choices that will lead to a rewarding life as a state of Michigan retiree.

Please don't hesitate to contact us if you have any questions. The ORS vision—to provide complete and accurate information and exceptional service—is one we take very seriously.

YOUR RESPONSIBILITIES

- Before you make important decisions about retirement and your pension, read this booklet thoroughly. Don't forget the tools provided in the appendices.
- Take advantage of other resources such as our online benefit estimator, preretirement seminars, and CitiStreet's payout guide.
- Be sure to include your family in your retirement planning and decision making.
- Carefully review the statements you receive from ORS regarding your service credit and pension estimates.
- Keep this booklet and any important ORS correspondence like your award letter and benefit summary in a safe place.
- Inform ORS of any changes in your mailing address.
- Notify your human resource office of your termination.

COUNTDOWN TO RETIREMENT

2 years to retirement ...

- ✔ Review your service credit totals for accuracy, and consider whether any credit for refunded service, military service, or other service is available.
- ✔ Request an estimate of your retirement benefits from the Social Security Administration.
- ✔ Attend a Preretirement Orientation through the Department of Civil Service.
- ✔ Review your current living expenses and project what these will be at retirement: Will your income from all sources cover your projected expenses?
- ✔ Anticipate new or recurring expenses (car, medical, home repairs), and perhaps take care of some of these before your retire.
- ✔ Evaluate your other investments. When will these funds be available? What are the withdrawal options: lump sum or recurring payments?
- ✔ Consider your tax situation. How much will you be required to pay in income taxes? are there any special tax breaks on retirement income where you live?
- ✔ Time your retirement to fit your goals. Consider these items:
  - The time from your last paycheck to your first retirement check.
  - The date of your first postretirement increase.
  - If you participate in a flexible benefits payment program, consider how your date of retirement will affect this account.
- ✔ Begin studying the pension payment options available.

18 months to retirement ...

- ✔ Research medical insurance for your family and verify your postretirement eligibility.
  - State-sponsored plan.
  - Medicare supplement (if you or a dependent are over age 65).
  - Spouse's employment. Will you be able to continue coverage in the event of your spouse's retirement or death?
- ✔ Will you still need individual disability coverage? Ask your insurance provider if there is an offset provision for other income received.
- ✔ Consider long-term care insurance coverage.
- ✔ Evaluate your life insurance needs in comparison to your coverage and consider any conversion rights.
- ✔ Review your estate plan and make sure your will, trust, and powers of attorney are up-to-date. Understand how your assets pass to others under Michigan law.

COUNTDOWN TO RETIREMENT

1 year to retirement ...

- ✔ Request another estimate from the Social Security Administration.
- ✔ Put the finishing touches on your financial plans. Use the online calculator at **www.michigan.gov/ors** to estimate your retirement benefit and explore the various payment options, or request an estimate from ORS.
- ✔ Check the ORS website for the most current version of *Retirement Readiness: A Two-Year Countdown* or request a copy from ORS.

6 months to retirement ...

- ✔ Request a retirement application packet from ORS.
- ✔ Read through the medical, dental, and vision plan information to learn what benefits are available to you and your dependents in retirement.
- ✔ Make a list of any questions you'd like answered by an ORS representative.
- ✔ If you divorce while an active or deferred member and the court ordered a portion of your pension be paid to an alternate payee, you must have an eligible domestic relations order (EDRO) on file with ORS before your retirement effective date.
- ✔ If you plan to work after you retire, make sure you understand how postretirement earnings affect your pension and social security benefits.
- ✔ Gather any proofs and supporting documents needed to apply as described in Section VIII.

3 months to retirement ...

- ✔ Carefully review the pension payment plans and options. Decide which fit your needs and that of your family. Remember—you can't change the option or your survivor pension beneficiary after your retirement effective date.
- ✔ Review the health insurance plans offered and decide on a plan.
- ✔ Notify your human resource office of your intention to retire.
- ✔ File your application and any other forms included in your retirement packet with ORS. Include proof of your age, your survivor pension beneficiary's age, and any other required proofs.

Retired at last!

- ✔ ORS will send *After You Retire: What Every Pension Recipient Should Know* along with your award letter. It explains what happens next and things that you should report.
- ✔ Watch for your pension payments around the 25th of each month.
- ✔ Enjoy reading *Connections*, a semiannual newsletter we send to our retirees so that we stay connected.

✔ Relax and enjoy your retirement!

Retirement At A Glance

Retirement Type	Age and Service Requirements	Straight Life Pension Formula
Full Retirement	Age 60 with 10 years of service. Age 55 and working with 30 years of service. *(Unclassified legislative, executive branch, and Department of Community Health employees involved in a facility closing need 5 years of service at age 60.)*	FAC × 1.5% × YOS
Early Reduced	Age 55 with at least 15 years of service and less than 30 years of service.	Straight life pension MINUS 1/2% for each month before age 60.
Covered Retirement	Age 51 with 25 years of covered service.* Age 56 with 10 years of covered service.* **Your last 3 years must be in a covered position.*	Pension until age 62: (FAC × 1.5% × uncovered YOS) PLUS (FAC × 2% × covered YOS) Pension at age 62: FAC x 1.5% x YOS
Conservation Officers	Hired before April 1, 1991: No age requirement; 25 years of service with 20 years as a conservation officer.* Hired after April 1, 1991: No age requirement; 25 years of service with 23 years as a conservation officer.* ** Your last 2 years must be as a conservation officer.*	2-year FAC × 60%
Community Health Facility Closures	Age 51 with 25 years of service.* Age 56 with 10 years of service.* Any age with 25 years in a closing facility. ** Your last 5 years of service have been in a closing facility.*	FAC × 1.5% × YOS
Duty Disability Duty Death	No age or service requirements.	Please contact our office.
Nonduty Disability Nonduty Death	No age requirement; 10 years of service.	Please contact our office.

OTHER ORS PUBLICATIONS

The following publications are available on the ORS website, or you can email or phone ORS for a copy.

- ***Your Retirement Plan: An Overview of the Defined Benefit Plan.*** This publication is a member handbook that can be referenced by members at any time in their careers. It provides general information about the Defined Benefit plan, as well as suggestions for long-term retirement planning.
- ***Enhancing Your Pension: Earning and Purchasing Service Credit.*** For Defined Benefit plan members who are interested in increasing their pension amount, or qualifying earlier, by adding to their service credit. The booklet includes details on the types of service credit available, how to apply, and different ways to pay.
- ***After You Retire: What Every Pension Recipient Should Know.*** You will receive this booklet when you apply for your pension. It tells you what to expect, and how and when you should contact ORS after your retirement benefits begin.

Watch for *If You Become Disabled: Your State Disability Protection*, and *Leaving State Employment: Effects on Your Pension*. These additional booklets for Defined Benefit plan members will be available soon. Watch the ORS website for details.

Office of Retirement Services
P.O. Box 30171
Lansing MI 48909-7671
(800) 381-5111 (Lansing area 322-5103)
www.michigan.gov/ors

Working After Retirement

If you go to work after you retire, your earnings usually won't affect your pension, with the following possible exceptions.

(1) State of Michigan employment. If you become reemployed by the state on or after December 1, 2002, your pension payments will continue with these stipulations:

- You did not return to work in the same month as your retirement effective date. If you become reemployed in the month of your retirement effective date, we cannot pay your pension during the period of reemployment.
- Your membership in the Defined Benefit plan will cease. If you return to state employment you will be covered under the state's Defined Contribution 401(k) plan.

You must advise your employer of your retiree status if you're reemployed by the state.

(2) Disability retirement pensions. If you are receiving a disability retirement, special limitations apply if you go to work (whether for the state or another employer). Contact ORS in advance if you're a disability retiree under age 60 considering a return to work.

The information above amends the following printed materials:

Retirement Readiness: A Two Year Countdown, printed August 2003. Page 33–Working After Retirement.

After You Retire: What Every Pension Recipient Should Know, printed August 2003. Page 23–Employment.

R634G 6/04 Authority: PA 1943 240, as amended

AT YOUR SERVICE

www.michigan.gov/ors

(800) 381-5111
Within Lansing (517) 322-5103

ORSCustomerService@michigan.gov

P.O. Box 30171
Lansing, MI 48909-7671

Main Office - Lansing
8:30-5:00 Walk-ins welcome
General Office Building
7150 Harris Drive

Directions: *From I-96, take Exit 98A-South Lansing Road to Canal Road. ORS is in the 3-story brick building at the corner of Canal Road and Ricks Road.*

Outreach Office - Detroit
Appointments only
Phone (313) 456-4010
Cadillac Place
3068 W. Grand Blvd., Suite 4-700

Directions*: From I-75, take Exit 54-Clay Ave/ E Grand Blvd. Head west on East Grand Boulevard for about 3/4 mile to Cadillac Place.*

From I-94, take northbound US-10 (Lodge Freeway) to W Grand Blvd exit. Proceed east 3 blocks on West Grand Boulevard to Cadillac Place.

Office of Retirement Services
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Lansing, MI 48909-7671